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## THE COMPUTATION OF LABOR TURNOVER: A REJOINDER

In the December REVIEW,<sup>1</sup> Professor H. G. Hayes criticizes in certain respects the method of computing labor turnover which I proposed in the issue of June, 1919.<sup>2</sup> It may be remembered that in computing the percentage of labor turnover I advocated using the average number on the payroll rather than the average daily attendance as the divisor, and the number of replacements rather than the number of separations as the dividend. Professor Hayes agrees with me on the preferability of the number on the payroll as the divisor but favors separations instead of replacements as the dividend.

It should be borne in mind that when the working force is constant there is no difference between replacements and separations. All the men who leave are replaced and the size of the working force remains the same. Likewise in the period when the working force is increasing, there is no practical difference between the two. More men are being hired than are leaving, but it is only to the extent that men are leaving that replacements occur. The net difference between the hirings and the leavings constitutes the increase in the level of the working force. In this case as well, therefore, separations measure replacements. The real difference between the two methods occurs in the case of a decreasing working force where more men are leaving than are being hired. Here separations include the net decrease in the level of the working force, while replacements do not.

Professor Hayes holds that this net decrease in the size of the working force should be counted as "turnover." He apparently favors the use of separations because he believes that what "the public is most interested in is the degree to which employment is continuous, that is, the degree of stability of the working force" and also because he believes that it will "reflect the pathological condition of the business which makes the decrease in the working force advisable."

The use of this method, however, does not distinguish between (1) the number of men that must be hired to maintain a working force at a given level and (2) a decrease in that level. Separations as used by Professor Hayes include both of these factors. Yet the two are plainly very different and the causes and cost of each differ widely. Separations caused by a reduction in the working force due to a falling off in business are plainly of a different nature from the ordinary separations caused either by men leaving or by men being discharged on account of unsatisfactory service and whose places are soon filled by

<sup>1</sup> THE AMERICAN ECONOMIC REVIEW, vol. IX (December, 1919), p. 203.

<sup>2</sup> *Ibid.*, vol. IX (June, 1919), p. 402.

other workers, with no change in the size of the working force itself. Separations, moreover, do not involve as much future cost as do replacements. The hiring of the new man results in an expense of instruction, decreased production, breakage, damage, and delay while he is being trained for his job. Separations that are not replacements do not involve this expense. To be sure a net decrease in the size of the working force may render part of the machinery and equipment idle and thus involve a cost; but, if the force is being decreased because of a business policy, these costs have been supposedly weighed and found to be less than the savings effected by reducing the staff. Both in their origin and in their consequences, therefore, replacements to maintain a force and a net decrease in that force differ widely; yet Professor Hayes includes them both under the one term "turnover."

Now the replacements method does distinguish between these two factors. It measures only the number hired to maintain a work force at a given level. It does not include a change in that level, in the form either of an increase or a decrease. Such a change of level can be better measured separately by comparing the number on the payroll at regular intervals. In the case of a decreasing working force, the net decrease and the amount of turnover combined would show the stability of the employment with which, as Professor Hayes rightly observes, the public is concerned.

The use of the simple net decrease in this form would show "the pathological conditions of the business" far better than the separations index which is net decrease plus replacements.

Furthermore, in the case of an increase in the working force, the change of level index would show the growth of the business and incidentally would throw some light upon the extra cost involved in training the net additions to the force. Professor Hayes seems to agree that the increase in the working force should be distinguished from turnover. Should he not logically also agree that decreases in the working force should be distinguished from turnover?

In brief, the method that I advocate attempts to avoid using the term "turnover" as a blanket phrase to include diverse features, and separates the problem into its constituent elements. It distinguishes between: (1) absenteeism, or absence from the job at which one is employed, (2) the number required to be hired in order to maintain a given working force at a constant level, which I regard as turnover proper, (3) a change in the level of a given force, which we may term a "change of level index."

It is my belief that it is better to compute each of the factors sepa-

rately and then later, if we wish, compare or combine them. Nothing is gained, however, by trying to make one formula so broad as to lump together three different elements without distinguishing between them. If the progress of science means anything it means the constant development of finer methods of measurement so that problems may be broken up into their constituent parts and these parts then analyzed and measured. Professor Hayes agrees with me that, in order to differentiate between absenteeism and turnover, the total on the payroll should be used as the divisor instead of the average daily attendance. Should he not also logically agree that, in order to differentiate between the maintenance of a given level and changes in that level, replacements and not separations should be used as the dividend?

It may be objected that, in thus reducing what the United States Bureau of Labor Statistics terms "turnover" to three different elements, what I call "turnover"—namely, the maintenance of the working force at a given level—is not "turnover" at all but should rather be termed "labor maintenance." This is quite possible. Names do not matter appreciably. What does matter, however, is that different phenomena should be identified and measured separately and not thrown loosely together with no attempt at differentiation.

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